

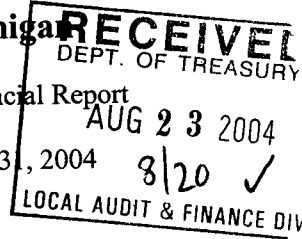
41-1210

VERGENNES TOWNSHIP

Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Vergennes Township	County Kent
Audit Date 6/4/04	Opinion Date 6/4/04	Date Accountant Report Submitted to State: 8/1/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hungerford, Aldrin, Nichols & Carter, P.C.			
Street Address 2910 Lucerne Drive SE	City Grand Rapids	State MI	ZIP 49546
Accountant Signature <i>Hungerford, Aldrin, Nichols & Carter, P.C.</i>		Date <i>Aug. 19, 2004</i>	

VERGENNES TOWNSHIP
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For the year ended March 31, 2004

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, PC
CPAs AND CONSULTANTS

Shareholders

Clifford A. Aldrin, CPA
Jerry W. Nichols, CPA
Daniel L. Carter, CPA
Richard L. Chrisman, CPA
Peggy A. Murphy, CPA
Phillip W. Sauman, CPA
Mitchell C. Burgers, CPA
Carla A. Grant, CPA
Thomas C. Prince, CPA

INDEPENDENT AUDITOR'S REPORT

June 4, 2004

The Township Board
Vergennes Township
Kent County, Michigan

We have audited the accompanying general purpose financial statements of Vergennes Township as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the elected officials and management of Vergennes Township. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of general fixed assets and, accordingly, a statement of general fixed assets that, in our opinion, is required by accounting principles generally accepted in the United States of America, is not included in the general purpose financial statements.

In our opinion, except for the effect on the general purpose financial statements of the omission of general fixed assets, as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Vergennes Township as of March 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental information and other information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Vergennes Township. The information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants



Member
Accountants Global
Network International

Centennial Park East 2910 Lucerne Drive, S.E. Suite 200 Grand Rapids, Michigan 49546-7175
Phone: (616) 949-3200 Fax: (616) 949-7720 E-Mail: postmaster@hanc.com

GENERAL PURPOSE FINANCIAL STATEMENTS

VERGENNES TOWNSHIP
Combined Balance Sheet - All Fund Types
March 31, 2004

	Governmental Fund Type	Fiduciary Fund Types	Totals (Memorandum Only)	
	General	Trust and Agency	2004	2003
Assets				
Deposits (Note C)	\$ -	\$ 2,000	2,000	\$ 2,000
Investments (Note C)	351,442	2,743	354,185	406,441
Taxes receivable (Note D)	5,054	-	5,054	6,405
Due from other governmental units	32,764	-	32,764	38,127
Total Assets	<u>\$ 389,260</u>	<u>\$ 4,743</u>	<u>\$ 394,003</u>	<u>\$ 452,973</u>
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 465
Due to other governmental units (Note E)	32,773	-	32,773	120,216
Escrow deposits	-	2,743	2,743	4,539
Total Liabilities	<u>32,773</u>	<u>2,743</u>	<u>35,516</u>	<u>125,220</u>
Fund Equity				
Fund balances:				
Reserved for cemetery perpetual care	-	2,000	2,000	2,000
Unreserved:				
Undesignated	356,487	-	356,487	325,753
Total Fund Equity	<u>356,487</u>	<u>2,000</u>	<u>358,487</u>	<u>327,753</u>
Total Liabilities and Fund Equity	<u>\$ 389,260</u>	<u>\$ 4,743</u>	<u>\$ 394,003</u>	<u>\$ 452,973</u>

The notes to financial statements are an integral part of this statement.

VERGENNES TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund
in Fund Balances - Governmental Fund Type
For the year ended March 31, 2004

	General Fund	
	2004	2003
Revenues		
Taxes	\$ 119,548	\$ 130,900
Licenses and permits	59,198	43,763
State sources	239,915	261,772
Charges for services	15,676	14,291
Interest and rentals	5,376	8,479
Other revenue	2,921	157
Total Revenues	442,634	459,362
Expenditures		
Current:		
Legislative	2,320	2,625
General government	167,107	160,485
Public safety	110,459	110,765
Public works	108,514	260,760
Other township	23,572	22,893
Total Expenditures	411,972	557,528
Excess (Deficiency) of Revenues Over Expenditures	30,662	(98,166)
Other Financing Sources		
Operating transfers in	72	44
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	30,734	(98,122)
Fund Balances, April 1	325,753	423,875
Fund Balances, March 31	\$ 356,487	\$ 325,753

The notes to financial statements are an integral part of this statement.

VERGENNES TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Governmental Fund Type
For the year ended March 31, 2004

	General Fund		Variance- Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 117,935	\$ 119,548	\$ 1,613
Licenses and permits	50,000	59,198	9,198
State sources	250,000	239,915	(10,085)
Charges for services	13,350	15,676	2,326
Interest and rentals	8,050	5,376	(2,674)
Other revenue	1,500	2,921	1,421
Total Revenues	440,835	442,634	1,799
Expenditures			
Current:			
Legislative	3,000	2,320	680
General government	189,279	167,107	22,172
Public safety	120,400	110,459	9,941
Public works	193,850	108,514	85,336
Other township	23,567	23,572	(5)
Total Expenditures	530,096	411,972	118,124
Excess (Deficiency) of Revenues Over Expenditures	(89,261)	30,662	119,923
Other Financing Sources			
Operating transfers in	-	72	72
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	(89,261)	30,734	119,995
Fund Balances, April 1	325,753	325,753	-
Fund Balances, March 31	\$ 236,492	\$ 356,487	\$ 119,995

The notes to financial statements are an integral part of this statement.

VERGENNES TOWNSHIP
Statement of Revenues, Expenses and Changes In
Fund Balances - Nonexpendable Trust Fund
For the years ended March 31, 2004 and 2003

	Cemetery Perpetual Care	
	2004	2003
Revenues		
Interest and rentals:		
Interest on deposits	\$ 72	\$ 44
Expenses	-	-
Excess of Revenues Over Expenses	72	44
Other Financing Sources (Uses)		
Operating transfers out	(72)	(44)
Excess of Revenues Over Expenses and Other Financing Sources (Uses)	-	-
Fund Balances, April 1	2,000	2,000
Fund Balances, March 31	<u>\$ 2,000</u>	<u>\$ 2,000</u>

The notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

VERGENNES TOWNSHIP
Notes to Financial Statements
March 31, 2004

Note A – Description of the Township

Vergennes Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Township Board consisting of a Supervisor, Clerk, Treasurer, and two Trustees, each of whom is elected for a four-year term of office. The Township provides the following services to its residents as provided by statute: public safety (fire and inspections), highways and streets, cultural, planning and zoning, general administrative and other services.

Note B – Summary of Significant Accounting Policies

The Reporting Entity

The financial statements of Vergennes Township contain all the funds that are controlled by, or dependent on, the Township's executive and legislative branches. Control by, or dependence on, the Township was determined on the basis of appointment of governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, receipt of significant subsidies from the Township, disposition of surplus funds, the ability to significantly influence operations and primary financial accountability governmental matters.

The Township has contracted with the Township of Grattan, which acts as the fiscal agent for those customers of the Grattan/Vergennes Sanitary Drain located in Vergennes Township. All sewer usage billing, collections and payment of operating expenses are handled by Grattan and reported on their financial statements. Therefore, no sewer enterprise fund statements are presented in this report.

Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Township resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

Governmental Funds

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Nonexpendable Trusts and Agency Funds. Nonexpendable Trusts are accounted for in a manner to assure that the principal endowment has remained intact. Agency Funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations.

VERGENNES TOWNSHIP
Notes to Financial Statements
March 31, 2004

Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund types are recorded in the General Fixed Assets Account Group at cost, or estimated historical cost, if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the General Fixed Assets Account Group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain ("infrastructure") general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

Since the Township has not maintained a record of general fixed assets, a statement of such is not included in the financial statements.

Long-Term Liabilities

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include real property taxes, state source revenues, and charges for services. Licenses and permits, local intergovernmental and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

VERGENNES TOWNSHIP
Notes to Financial Statements
March 31, 2004

Budgets and Budgetary Accounting

The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The Township General Fund is under budgetary control as required by the Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan.
- The budget is generated with input from the Clerk, the Treasurer, the Supervisor and the Township Trustees.
- The completed budget is then presented to Township electors at a public hearing in March, at which time taxpayer comments and recommendations are heard. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- At the first public meeting in April, the budget is legally enacted on a departmental (activity) basis through passage of resolution.
- Appropriations are authorized by resolution at the department level. This is the legal level of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets.
- The budget is adopted on a basis consistent with generally accepted accounting principles.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General Fund budget was amended during the year. The budget to actual revenues and expenditures in the financial statements represent the final budget as amended by the Township.
- The "Unfavorable Variances" as shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund are not material violations as described in Public Act 621, the State of Michigan Uniform Budgeting and Accounting Act, due to the conditions and events that gave rise to the violations and the adequacy of the Township's budgetary system to detect such violations.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

VERGENNES TOWNSHIP
Notes to Financial Statements
March 31, 2004

Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Township's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation

Note C – Cash, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- In United States government or federal obligation repurchase agreements.
- In bankers' acceptances of United States banks.
- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- In surplus funds investment pools.

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Huntington National Bank
2. Kent County Local Government Investment Pool

VERGENNES TOWNSHIP
Notes to Financial Statements
March 31, 2004

Balances at March 31, 2004 related to cash, deposits and investments are detailed on the combined balance sheets as follows:

Cash	\$ -
Deposits	2,000
Investments	<u>354,185</u>
	<u>\$ 356,185</u>

Cash and Deposits

Cash consists of cash on hand and bank checking accounts. Deposits consist of bank interest earning checking, savings, and money market accounts and certificates of deposit.

Cash and deposits at March 31, 2004 as shown by carrying amount and bank balance and classified by categories of credit risk are itemized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured – FDIC	\$ 2,000	\$ 2,000
Uninsured:		
Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging bank or its trust department or agent but not in the Township's name.)	<u>—</u>	<u>—</u>
	<u>\$ 2,000</u>	<u>\$ 2,000</u>

Investments

Investments consist of bank pooled investment accounts and monies at the Kent County Local Government Investment Pool. Investments are valued at cost, which approximates fair market value.

The Kent County and bank investment pools consist of monies advanced for investment with accounts established in the Township's name within the pools. Interest earnings from the subsequent reinvestment of the pooled funds are credited to the Township on a pro-rata basis in relation to its percentage of deposits in the pools. These investments, with fair market which approximates cost, are not categorized because participation in such funds does not result in direct ownership of individual securities, but rather shares. However, the investments of the pools are classified as Risk Level 1 because these investments are held by the Fund or its agent in the name of the Fund. Balances on deposit at March 31, 2004 are as follows:

Uninsured/Uncategorized:	
Huntington National Bank:	
Short Term Investment Fund for Local Units of Government	\$ 63,128
Kent County Local Government Investment Pool	<u>291,057</u>
	<u>\$ 354,185</u>

VERGENNES TOWNSHIP
Notes to Financial Statements
March 31, 2004

Note D – General Property Taxes

Property taxes for the Township and County become due and payable on December 1 of each year. School district taxes are payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Kent Intermediate School District, Grand Rapids Community College and Lowell Area Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

Township property tax revenues are recognized in the General Fund in the fiscal year levied, to the extent they are measurable and available.

The Township is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.1 mills of general property taxes on the taxable valuation in the Township. Due to the effect of the Headlee Amendment, actual tax levies were reduced to .8890 for the fiscal year ended March 31, 2004.

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2003	2002	2001	2000
Township taxes levied	\$ 114,563	\$ 129,731	\$ 122,880	\$ 147,779
Taxes collected:				
Current to March 1	109,378	122,736	114,401	139,168
Total to March 31, 2004	109,378	129,067	121,431	146,176
Percentages of collections:				
Current to March 1	95.47%	94.33%	93.10%	94.17%
Total to March 31, 2004	95.47%	99.49%	98.82%	98.92%

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2004 valuations in the following summary:

Year	Real	Personal	Total
2004	\$ 125,832,299	\$ 14,223,200	\$ 140,055,499
2003	116,448,638	12,428,600	128,877,238
2002	110,013,445	12,939,849	122,953,294
2001	101,324,029	12,093,968	113,417,997
2000	93,174,860	11,424,033	104,598,893
1999	86,111,960	11,328,803	97,440,763
1998	78,524,379	11,833,695	90,358,074
1997	70,476,290	10,695,606	81,171,896
1996	62,255,967	10,142,708	72,398,675
1995	53,718,471	9,644,700	63,363,171

VERGENNES TOWNSHIP
Notes to Financial Statements
March 31, 2004

The State Equalized Valuations do not include valuation of certain facilities which are exempt under Act 198, Public Acts of 1974. This Act is designed to provide stimulus in the form of significant tax incentives to industrial and commercial enterprises to renovate and expand aging facilities and to build new facilities in Michigan. Under the provisions of the Act a local governmental unit (city, village or township) in which the total property tax levy is at least 30 mills or in which a city income tax is levied may establish rehabilitation districts and industrial development districts and offer industrial and commercial firms certain property tax incentives to encourage restoration or replacement of obsolete facilities and to attract new plants to the area.

An Industrial (Act 198) Facilities Exemption Certificate entitles the facility to exemption from ad valorem real and personal property taxes for a period of up to 12 years. In lieu of the property tax the firm will pay a specific tax. The tax for an obsolete facility, which is being restored or replaced, is determined in exactly the same manner as the ad valorem property tax, the important difference being that the state equalized valuation of the property remains at the level assessed on the obsolete facility prior to the improvements, even though the restoration or replacement substantially increases the true cash value of the facility. For a new facility being built in a rehabilitation or a development district, the tax is also determined as the ad valorem property tax but instead of using the total mills levied as ad valorem taxes, only half the millage rate is applied. The amount of the resulting tax thus is equal to 50% of the property tax which otherwise would be payable. The 2004 valuation of these certificates is compared with prior years in the following exhibit:

Year	Real	Personal	Total
2004	\$ 422,000	\$ 762,600	\$ 1,184,600
2003	422,000	946,100	1,368,100
2002	422,000	834,700	1,256,700
2001	120,000	586,500	706,500
2000	145,000	645,000	790,000
1999	145,000	728,400	873,400
1998	265,000	703,800	968,800
1997	239,950	1,034,900	1,274,850
1996	112,500	901,700	1,014,200
1995	363,100	435,300	798,400

Note E –Due To Other Governmental Units

The amount due to other governmental units of \$32,773 consists of monies owed to the Kent County Road Commission for road construction projects completed during the year ended March 31, 2004, but not paid for until the subsequent fiscal year.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

VERGENNES TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2004 and 2003

Assets	<u>2004</u>	<u>2003</u>
Investments		
Taxes receivable	\$ 351,442	\$ 400,813
Due from other governmental units	5,054	6,405
	<u>32,764</u>	<u>38,127</u>
Total Assets	<u><u>\$ 389,260</u></u>	<u><u>\$ 445,345</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable		
Due to other governmental units	\$ -	\$ 465
	<u>32,773</u>	<u>119,127</u>
Total Liabilities	<u>32,773</u>	<u>119,592</u>
Fund Balances		
Unreserved:		
Undesignated	<u>356,487</u>	<u>325,753</u>
Total Liabilities and Fund Balances	<u><u>\$ 389,260</u></u>	<u><u>\$ 445,345</u></u>

VERGENNES TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004
With comparative actual amounts for the year ended March 31, 2003

	2004			2003
	Budget	Actual	Variance- Favorable (Unfavorable)	Actual
Revenues				
Taxes:				
Current property taxes	\$ 112,000	\$ 114,432	\$ 2,432	\$ 104,537
Gypsy moth taxes	-	-	-	17,470
Delinquent property taxes	5,000	233	(4,767)	6,946
Commercial forest taxes	10	16	6	16
Industrial facilities taxes	800	608	(192)	568
Interest and penalties on taxes	125	4,259	4,134	1,363
	117,935	119,548	1,613	130,900
Licenses and permits:				
Cable television fees	8,500	6,495	(2,005)	6,165
Building permits	20,000	26,823	6,823	19,118
Electrical permits	10,000	11,526	1,526	8,860
Mechanical permits	10,000	12,795	2,795	8,357
Plumbing permits	1,500	1,559	59	1,263
	50,000	59,198	9,198	43,763
State sources:				
Sales taxes	250,000	239,915	(10,085)	261,772
Charges for services:				
Zoning and appeals fees	3,000	2,560	(440)	3,925
Summer tax collection fees	4,850	5,081	231	4,836
Cemetery grave openings	2,000	4,500	2,500	2,250
Parcel split fees	2,000	825	(1,175)	2,200
Sale of cemetery lots	1,500	2,710	1,210	1,080
	13,350	15,676	2,326	14,291
Interest and rentals:				
Interest on investments	8,050	5,376	(2,674)	8,479
Other revenue:				
Refunds of expenditures	500	497	(3)	157
Grants	1,000	2,424	1,424	-
	1,500	2,921	1,421	157
Total Revenues	440,835	442,634	1,799	459,362
Expenditures				
Current:				
Legislative:				
Township board	3,000	2,320	680	2,625

(Continued)

VERGENNES TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004
With comparative actual amounts for the year ended March 31, 2003

	2004			2003
	Budget	Actual	Variance- Favorable (Unfavorable)	Actual
Expenditures (Continued)				
General government:				
Supervisor	\$ 18,500	\$ 18,500	\$ -	\$ 16,500
Elections	3,500	-	3,500	9,277
Assessor	30,200	28,062	2,138	23,505
Legal and audit	9,300	7,043	2,257	8,681
Clerk	18,500	18,500	-	16,500
Board of review	1,125	970	155	995
General administration	53,364	39,902	13,462	35,070
Treasurer	29,500	31,352	(1,852)	26,694
Buildings and grounds	14,920	13,501	1,419	15,664
Cemetery	10,370	9,277	1,093	7,599
Total general government	189,279	167,107	22,172	160,485
Public safety:				
Fire department	54,900	49,874	5,026	50,531
Inspections	39,500	42,288	(2,788)	37,170
Planning	26,000	18,297	7,703	23,064
Total public safety	120,400	110,459	9,941	110,765
Public works:				
Drains	-	-	-	2,250
Highways, streets and bridges	188,100	102,813	85,287	234,026
Street lighting	750	701	49	694
Hydrant rental	5,000	5,000	-	5,000
Other public works	-	-	-	18,790
Total public works	193,850	108,514	85,336	260,760
Other township	23,567	23,572	(5)	22,893
Total Expenditures	530,096	411,972	118,124	557,528
Excess (Deficiency) of Revenues Over Expenditures	(89,261)	30,662	119,923	(98,166)
Other Financing Sources				
Operating transfers in	-	72	72	44
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	(89,261)	30,734	119,995	(98,122)
Fund Balances, April 1	325,753	325,753	-	423,875
Fund Balances, March 31	\$ 236,492	\$ 356,487	\$ 119,995	\$ 325,753

VERGENNES TOWNSHIP
General Fund
Comparative Statement of Expenditures
For the years ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Current:		
Legislative:		
Township board salaries	\$ 2,320	\$ 2,625
General government:		
Supervisor:		
Salary	18,500	16,500
Elections:		
Salaries	-	3,190
Miscellaneous	-	933
New equipment	-	5,154
	-	9,277
Assessor:		
Salaries:		
Assessor	19,400	18,500
Clerical	8,027	4,118
Supplies	-	287
Contracted services	635	600
	28,062	23,505
Legal and audit:		
Legal fees	2,543	4,431
Audit fees	4,500	4,250
	7,043	8,681
Clerk:		
Salary	18,500	16,500
Board of review:		
Salaries	900	900
Mileage and expenses	70	95
	970	995
General administration:		
Clerical salaries	9,070	7,711
Office supplies	5,048	4,632
Professional fees	-	700
Grant fees	1,229	-
Contracted services	1,953	2,078
Computer services	4,810	5,725
Education	2,203	2,930
Printing and publishing	3,156	5,166
Memberships and dues	3,448	2,667
Miscellaneous	226	439
New equipment	8,759	3,022
	39,902	35,070
Treasurer:		
Salary	18,500	16,000
Property tax administration system	12,852	10,694
	31,352	26,694

(Continued)

VERGENNES TOWNSHIP
General Fund
Comparative Statement of Expenditures
For the years ended March 31, 2004 and 2003

	2004	2003
Buildings and grounds:		
Custodial salaries	\$ 720	\$ 600
Telephone	3,629	3,321
Utilities	3,379	3,001
Repair and maintenance	2,677	2,681
Building improvements	900	1,048
New equipment	2,196	5,013
	<u>13,501</u>	<u>15,664</u>
Cemetery:		
Contracted services	4,570	2,355
Grounds maintenance	4,300	4,300
Miscellaneous	407	944
	<u>9,277</u>	<u>7,599</u>
Total general government	<u>167,107</u>	<u>160,485</u>
Public safety:		
Fire department:		
Lowell - rescue and fire runs	26,643	27,529
County fire assessment	5,814	5,662
Building improvements	550	1,003
New equipment	16,867	16,337
	<u>49,874</u>	<u>50,531</u>
Inspections:		
Salaries:		
Building inspector	13,466	12,325
Electrical and mechanical inspector	18,322	15,345
Zoning inspector	10,500	9,500
	<u>42,288</u>	<u>37,170</u>
Planning:		
Planning coordinator salary	6,859	6,777
Planning commission fees	4,570	5,125
Professional fees	6,868	11,162
	<u>18,297</u>	<u>23,064</u>
Total public safety	<u>110,459</u>	<u>110,765</u>
Public works:		
Drains:		
Drain maintenance	-	2,250
Highways, streets and bridges:		
Road construction	90,836	220,848
Dust layer	11,977	13,178
	<u>102,813</u>	<u>234,026</u>
Street lighting:		
Utilities	701	694
Hydrant rental:		
Utilities	5,000	5,000

(Continued)

VERGENNES TOWNSHIP
General Fund
Comparative Statement of Expenditures
For the years ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Other public works:		
Gypsy moth spraying	\$ -	\$ 18,790
Total public works	<u>108,514</u>	<u>260,760</u>
Other township:		
Social Security taxes	9,118	8,169
Travel and expense	2,851	2,216
Insurance and bonds	10,267	9,385
Miscellaneous	<u>1,336</u>	<u>3,123</u>
Total other township	<u>23,572</u>	<u>22,893</u>
Total Expenditures	<u><u>\$ 411,972</u></u>	<u><u>\$ 557,528</u></u>

TRUST AND AGENCY FUNDS

Cemetery Perpetual Care—to account for monies deposited with the Township whose interest earnings will be used for cemetery upkeep.

Trust Account Agency—to account for the collection of delinquent taxes and interest and payment to the governmental units entitled to receive these funds.

Tax Account Agency—to account for the collection of current taxes, collection fees, dog licenses, and payment to the governmental units entitled to receive these funds.

VERGENNES TOWNSHIP
Trust and Agency Funds
Combining Balance Sheet
March 31, 2004
With comparative totals for March 31, 2003

	Nonexpendable Trust Cemetery Perpetual Care	Agency	
		Trust Account	Tax Account
Assets			
Deposits	\$ 2,000	\$ -	\$ -
Investments	-	2,743	-
Total Assets	<u>\$ 2,000</u>	<u>\$ 2,743</u>	<u>\$ -</u>
Liabilities and Fund Balances			
Liabilities			
Due to other governmental units	\$ -	\$ -	\$ -
Escrow deposits	-	2,743	-
Total Liabilities	<u>-</u>	<u>2,743</u>	<u>-</u>
Fund Balances			
Reserved for cemetery perpetual care	2,000	-	-
Total Liabilities and Fund Balances	<u>\$ 2,000</u>	<u>\$ 2,743</u>	<u>\$ -</u>

Totals	
2004	2003
\$ 2,000	\$ 2,000
<u>2,743</u>	<u>5,628</u>
<u>\$ 4,743</u>	<u>\$ 7,628</u>
\$ -	\$ 1,089
<u>2,743</u>	<u>4,539</u>
<u>2,743</u>	<u>5,628</u>
<u>2,000</u>	<u>2,000</u>
<u>\$ 4,743</u>	<u>\$ 7,628</u>

VERGENNES TOWNSHIP
All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended March 31, 2004

	Balances April 1, 2003	Additions	Deductions	Balances March 31, 2004
Trust Account Fund				
Assets				
Investments	\$ 5,628	\$ 15,681	\$ 18,566	\$ 2,743
Liabilities				
Escrow deposits	\$ 4,539	\$ 5,499	\$ 7,295	\$ 2,743
Due to other funds	-	699	699	-
Due to other governmental units	1,089	9,483	10,572	-
Total Liabilities	\$ 5,628	\$ 15,681	\$ 18,566	\$ 2,743
Tax Account Fund				
Assets				
Investments	\$ -	\$ 3,589,015	\$ 3,589,015	\$ -
Liabilities				
Accounts payable	\$ -	\$ 35,459	\$ 35,459	\$ -
Due to other funds	-	115,514	115,514	-
Due to other governmental units	-	3,438,042	3,438,042	-
Total Liabilities	\$ -	\$ 3,589,015	\$ 3,589,015	\$ -
Totals - All Agency Funds			\$ -	
Assets				
Investments	\$ 5,628	\$ 3,604,696	\$ 3,607,581	\$ 2,743
Liabilities				
Accounts payable	\$ -	\$ 35,459	\$ 35,459	\$ -
Escrow deposits	4,539	5,499	7,295	2,743
Due to other funds	-	116,213	116,213	-
Due to other governmental units	1,089	3,447,525	3,448,614	-
Total Liabilities	\$ 5,628	\$ 3,604,696	\$ 3,607,581	\$ 2,743

VERGENNES TOWNSHIP
Tax Account Agency Fund
Statement of Cash Receipts and Disbursements
For the year ended March 31, 2004

Investments April 1, 2003			\$ -
Cash Receipts			
Current taxes and penalties and interest on late taxes			
Interest on investments	\$ 3,588,486		
	529	3,589,015	
Total Available Balances			3,589,015
Cash Disbursements			
Current ad valorem taxes and charges:			
Kent County:			
Operating	\$ 653,847		
State Education Tax	625,669		
Kent District Library	107,163		
Kent Intermediate School District	474,288		
Grand Rapids Community College	223,544		
Lowell Area Schools	1,319,242		
Vergennes Township:			
Operating	109,378		
Delinquent sewer assessments	1,183	3,514,314	
Industrial facilities taxes:			
State of Michigan	12,193		
Kent County:			
Operating	3,635		
State Education Tax	6,841		
Kent District Library	596		
Kent Intermediate School District	2,593		
Grand Rapids Community College	1,222		
Lowell Area Schools	4,788		
Vergennes Township	608	32,476	
Commercial forest taxes:			
State of Michigan	120		
Kent County	37		
Kent District Library	5		
Kent Intermediate School District	28		
Grand Rapids Community College	13		
Lowell Area Schools	37		
Vergennes Township	7	247	
Interest and penalties:			
State of Michigan	\$ 668		
Kent Intermediate School District	507		
Grand Rapids Community College	239		
Lowell Area Schools	768		
Vergennes Township	3,807	5,989	
Interest earned - General Fund		530	
Refunds		35,459	3,589,015
Investments March 31, 2004			<u>\$ -</u>

OTHER INFORMATION

VERGENNES TOWNSHIP
Schedule of Deposits and Investments
March 31, 2004

General Fund

Huntington National Bank:

Short Term Investment Fund for
Local Units of Government
Kent County Local Government Pooled
Investment Account

\$ 60,385

291,057

Total General Fund

\$ 351,442

Trust and Agency Funds

Cemetery Perpetual Care Trust Fund:

Huntington National Bank

Certificate of Deposit:

No. 07153719555, March 13, 2003, 3.60%
January 13, 2008

2,000

Trust Account Agency Fund:

Huntington National Bank:

Short Term Investment Fund for
Local Units of Government

2,743

Total Trust and Agency Funds

4,743

Total All Funds

\$ 356,185

VERGENNES TOWNSHIP
Summary of 2003 Taxes Levied and Collected
For the year ended March 31, 2004

<u>Ad Valorem Taxes</u>	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
Kent County					
Operating	\$128,877,238	5.3140	\$ 684,844	\$ 30,997	\$ 653,847
Kent District Library	128,877,238	0.8709	112,243	5,079	107,164
State Education Tax					
Lowell Area Schools	128,877,238	5.0000	644,382	18,713	625,669
School Districts					
Kent Intermediate School District	128,877,238	3.7903	488,474	14,185	474,289
Grand Rapids Community College	128,877,238	1.7865	230,230	6,686	223,544
Lowell Area Schools:					
Other	128,877,238	7.0000	902,125	33,515	868,610
Operating	26,605,423	17.8254	474,247	23,617	450,630
Total School Districts			2,095,076	78,003	2,017,073
Vergennes Township					
Operating	128,877,238	0.8890	114,563	5,185	109,378
Delinquent sewer assessments			1,183	-	1,183
Total Township			115,746	5,185	110,561
Total Ad Valorem Taxes			<u>\$3,652,291</u>	<u>\$ 137,977</u>	<u>\$3,514,314</u>
<u>Tax Abatements</u>					
Industrial Facilities (P.A. 198) New	1,368,100				
Kent County		2.65700	\$ 3,635	\$ -	\$ 3,635
Kent District Library		0.43545	596	-	596
State education tax:					
Lowell Area Schools		2.50000	6,841	-	6,841
Kent Intermediate School District		1.89515	2,593	-	2,593
Grand Rapids Community College		0.89325	1,222	-	1,222
Lowell Area Schools:					
Operating		3.50000	12,193	-	12,193
Other		8.91270	4,788	-	4,788
Vergennes Township:					
Operating		0.44450	608	-	608
Total Industrial Facilities			<u>\$ 32,476</u>	<u>\$ -</u>	<u>\$ 32,476</u>
(P.A. 198) NEW					

(Continued)

VERGENNES TOWNSHIP
Summary of 2003 Taxes Levied and Collected
For the year ended March 31, 2004

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
Commercial Forest Taxes	\$ 34,300				
Kent County		2.65700	\$ 37	\$ -	\$ 37
Kent District Library		0.43545	5	-	5
State education tax:					
Forest Hills Public Schools		2.50000	120	-	120
Kent Intermediate School District		1.89515	28	-	28
Grand Rapids Community College		0.89325	13	-	13
Lowell Area Schools:					
Other		8.91270	37	-	37
Vergennes Township		0.44450	7	-	7
Total Commercial Forest Taxes			<u>\$ 247</u>	<u>\$ -</u>	<u>\$ 247</u>

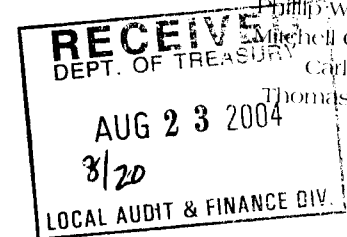
Hungerford, Aldrin,
Nichols & Carter, PC
CPAs AND CONSULTANTS

Shareholders

Clifford A. Aldrin, CP
Jerry W. Nichols, CP
Daniel L. Carter, CP
Richard L. Chrisman, CP
Peggy A. Murphy, CP
Philip W. Saurman, CP
Mitchell C. Burgers, CP
Carla A. Grant, CP
Thomas C. Prince, CP

June 4, 2004

The Township Board
Vergennes Township
Kent County, Michigan



The following comments pertain to our audit of the financial records of Vergennes Township as of and for the year ended March 31, 2004. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Vergennes Township.



Member
Accountants Global
Network International

Centennial Park East 2910 Lucerne Drive, S.E. Suite 200 Grand Rapids, Michigan 49546-7175
Phone: (616) 949-3200 Fax: (616) 949-7720 E-Mail: postmaster@hanc.com

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Significant Accounting Policies

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped into two broad fund-type categories as follows:

Governmental Fund Types—The General and Special Revenue Funds are used to allocate Township resources based upon the purpose for which they are to be spent. These funds are accounted for using the modified accrual basis of accounting.

Fiduciary Fund Types—Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other groups. These include Nonexpendable Trust and Agency Funds. Nonexpendable Trusts are accounted for in a manner to assure that the principal endowment has remained intact. Agency Funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations.

Fixed assets and long-term liabilities are accounted for in account groups, rather than in the governmental funds.

General Fixed Assets—Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Capital outlays in these funds are included as expenditures in the year of purchase in the purchasing fund and also added to the balance of General Fixed Assets in the Account Group. Since the Township does not maintain a record of General Fixed Assets, a statement of such is not presented.

General Long-Term Debt—Expenditures recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Since the Township has no general long-term debt, a statement of such is not presented.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing our audit of the financial records of Vergennes Township. We found the internal control structure and accounting system to be basically adequate and operating in the manner intended.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements. These adjustments, while material in amount, were made in the ordinary course of the completion of our audit, and are comparable in type and amount to those made in previous years.

General Fund

1. \$6,405 and \$5,054 to reverse and accrue prior and current year taxes receivable.
2. \$32,773 to record 2003 road improvement project expenditures due to the Kent County Road Commission at March 31, 2004.
3. \$32,764 to record the final 2003-04 sales tax payment from the State of Michigan as revenue and accounts receivable at year end.

Passed Audit Adjustments

There were no adjustments proposed during the audit not recorded by Vergennes Township.

Consideration of Fraud in a Financial Statement Audit

The American Institute of Certified Public Accountants issued Statement of Auditing Standards (SAS) Number 99 "Consideration of Fraud in a Financial Statement Audit", effective for all audit periods beginning after December 15, 2002. SAS No. 99 applies to for-profit, non-profit and governmental entities. SAS No. 99 requires auditors to perform additional tests and procedures to obtain assurance that the financial statements are free of material misstatement. Specific tests and procedures required include a pre-audit "brainstorming" session for the auditors, testing of client major revenue sources and journal entries, interviews with client personnel, both in and outside of the business office, and testing of a selection of those revenue/expenditure areas that were considered susceptible to fraud during the discussions and interviews. Our normal audit testing procedures for Vergennes Township's major revenue sources (property taxes and state revenue sharing) and journal entries already met the requirements of SAS No. 99, so there were no additional procedures necessary this year in those major testing areas.

After our brainstorming session and discussions with Township officials we chose the inspection fees receipts/disbursements process for further testing. We discussed the current inspection/permit process with the Clerk, Treasurer and Assessor to determine how the current safeguards operate to assure that all monies due the Township are collected, and that all new properties and improvements to existing properties are added to the Township assessment/tax roll. It appeared that the process in place at the Township is a complete and accurate one, and is operating as intended. In addition, the Township has implemented new software to better track and maintain records for the inspection fee process, and has modified how the building inspector is paid, to better match the timing of the permit process.

SAS No. 99 suggests that the most effective deterrent to fraud in any organization is the maintenance of a culture of honesty and high ethics, evaluating the risks of fraud and implementing steps to mitigate them, and developing an appropriate oversight process. We encourage the Township Board to pro-actively pursue this policy in the future, as, unfortunately, fraud is not as uncommon in the workplace as we would wish it to be.

Suggestions And Recommendations

We offered suggestions and recommendations of a minor nature regarding the day-to-day operations of the accounting system to the Township Clerk and Treasurer as the topics arose during the course of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year end financial record keeping and reporting other suggestions that merit identification and discussion are at follows:

1. The Township (along with all other taxing municipalities in Kent County) is implementing a new in-house property tax billing and administration system for the 2004 summer tax roll, independent of the County system which supported all municipalities in the County for the past many years. This new process involves a significant increase in both Township responsibility for the accuracy and integrity of the data and the level of computer hardware/software knowledge over what was required of the Township previously. It is the entire Township Board's, not just the Treasurer's, responsibility to insure that this new system works properly from start to finish. We urge the Township Board to direct the necessary time and personnel resources to this new process to insure its accuracy and success.

* * * * *

This communication is intended solely for the information and use of Vergennes Township Board, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Vergennes Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants